



ENTERPRISE MANAGEMENT & INNOVATION (PTY) LTD.

Reg. No. 97/21978/07

P.O. Box 76, Halfway House 1685; 511 Nupen Crescent, Extension 12, Midrand, South Africa

Tel: 27-11-207-5900; Fax: 27-11-207-5933; E-mail: jreibel@emi.co.za

SOUTH AFRICA: INCREASING EMPLOYMENT OPPORTUNITIES IN AGRICULTURE (AGRILINK II) PROJECT

(Contract No. 674-C-00-01-00032-01)

(Project No. 674-0326-3-10004)

FY'03 ANNUAL STRATEGIC WORK PLAN



Prepared by:

Jaime Reibel

Chief-of-Party

AGRILINK II Project

Submission Date:

30th September 200

EXECUTIVE SUMMARY

INTRODUCTION

The FY'03 Strategic Work Plan describes the implementation of the USAID/South Africa-funded South Africa: Increasing Employment Opportunities in Agriculture (AGRILINK II) Project, Contract No. 674-C-00-01-00032-01, for the period 1st October 2002 to 30th September 2003.

PROJECT IMPLEMENTATION

Increased Market-Driven Employment Opportunities and Increased Commercial Viability of Existing Small and Medium Agribusinesses

In FY'03, the AGRILINK II Project will create nine thousand two hundred (9,200) market-driven employment opportunities. In order to increase employment opportunities, the AGRILINK II Project will increase the commercial viability of existing small and medium agribusinesses by increasing the number and value of business transactions.

In FY'03, eighteen thousand two hundred eighty (18,280) business transactions will be completed, totaling R780,000,000. The number of business transactions is composed of the number of markets identified, the number of privatized public enterprises and the number of entities that access finance. The target for the involvement of women in business transactions is 20%. This Work Plan outlines strategies to achieve these business transactions.

Markets for Small and Medium Agribusiness Growth Identified

The AGRILINK II Project will continue to rely on existing linkage strategies to identify markets for emerging farmers. In FY'03 the AGRILINK II Project will identify seventeen thousand seven hundred ten (17,710) profitable and sustainable traditional, niche and high-value markets for emergent agribusinesses. Strategic approaches are outlined for each Province.

Markets Identified in Eastern Cape Province (5,770 markets)

Livestock and livestock products continue to be the most important income-earner for most farmers in Eastern Cape. Up to 40% of provincial market transactions will come from the increase in the sale of livestock, including small stock, on the part of emerging farmers. The AGRILINK II Project will continue to identify markets for a wide range of agricultural products grown in Eastern Cape: green mielies and dry maize, beans, sorghum, vegetables, eggs, pineapples, and oranges, as well as poultry. In FY'03, markets for these commodities will be expanded, and additional markets for vegetables and fruits, such as aloe, will be identified. Linking emerging farmers who want to purchase land with willing sellers will form an important part of markets identified. In FY'03, 15% of the markets identified indicator will be directly related to finding suitable farmland for emerging farmers.

Markets Identified in KwaZulu-Natal Province (5, 970 markets)

Agricultural product markets identified in FY'02 (e.g., maize, beans, lucerne, potatoes, vegetables, fertilizers and transport) will be expanded in FY'03 to include more crops, fruits and vegetables by forming producer groups and developing forward contracts. These groups will also be serviced with bulk supplies of agricultural inputs and transport contracts, where relevant. Agricultural products and inputs will comprise up to 55% of the number of markets identified in the province. The number of livestock markets will be increased in FY'03, and the markets for livestock products, such as hides and skins, as well as inputs, including

animal feed and medications, will also grow. In FY'03, livestock markets will contribute up to 30% of total markets identified in KwaZulu-Natal. The sale of land to emerging farmers will represent a significant proportion (15%) of total markets identified in the province.

Markets Identified in Limpopo Province (5,970 markets)

In FY'03, AGRILINK II Project staff will expand the quantity and quality of agricultural product markets for emerging farmers in Limpopo Province. Joint ventures established in FY'02 in maize and sugar beans will be built-upon and new ventures developed. Grain, fruits and vegetables will form 50% of the markets identified for the province. The sale of livestock will continue to provide at least 40% of the new markets identified in FY'03. The role of the AGRILINK II Project in the identification of land markets will continue to increase in FY'03, although the number of markets will constitute a relatively small proportion of total markets (10%).

Profitable Product Lines Developed or Enhanced

One objective of the AGRILINK II Project is to expand product lines and increase the value-added to commodities produced by emerging farmers. The FY'03 target for the development of profitable product lines is one thousand ten (1,010). The Project is working with farmers to introduce new products, but inadequate documentation has slowed reporting. Performance will be accelerated in 1st and 2nd Quarters, FY'03.

Markets Established with Large Entities

It is expected that the number of markets established with large entities will contribute to the growth of markets for emerging farmers. The overall target for this indicator is thirteen thousand one hundred (13,100) for FY'03. The provincial breakdown is Eastern Cape (4,300), KwaZulu-Natal (4,400), and Limpopo (4,400). Experience acquired in FY'02 indicates that the targets established for this performance indicator were overly optimistic. In FY'03, the AGRILINK II Project will focus on identifying new opportunities in each province; however, this target will be reviewed at the end of FY'03 as part of the overall strategy review.

Enhanced Small And Medium Agribusiness Capacity To Respond To Markets

Entrepreneurs Receiving Business Skills Training

The FY'03 target is to provide one hundred sixty-six thousand two hundred (166,200) hours of business skills training to twenty thousand eight hundred (20,800) agribusiness entrepreneurs. The provincial target breakdown will be approximately even. The FY'03 target for the number of entrepreneurs trained will be achieved by two (2) approaches: Training by Agribusiness Linkages Officers, and additional training institutions to which the Agribusiness Linkages Officers can refer farmers for specific training needs.

Number of Value-added Technology Transfers

A "value-added technology transfer" is defined as the introduction of a new technology to the owner of a small or medium agribusiness that increases the market value of a product or the productivity of the agribusiness. In FY'03, a total of six hundred seventy (670) technologies will be introduced to emerging farmers: two hundred ten (210) in Eastern Cape, and two hundred thirty (230) each in KwaZulu-Natal and Limpopo. The key areas of technology development will be in livestock, crops, fruits and vegetables.

Privatized Public Enterprises

The AGRILINK II Project supports the transition of government-owned agribusinesses to private ownership. The target for FY'03 is three (3) privatized public enterprises (one in each province). AGRILINK II Project support to the land transfer process has led to the Project's involvement in the privatization of public land holdings, particularly in Eastern Cape.

Increased Small and Medium Agribusiness Access to Finance

The AGRILINK II Project assists small and medium agribusinesses to access finance for production inputs, including land. In FY'03 the AGRILINK II Project will assist five hundred ninety (590) agribusinesses to access loans worth a total of R60,225,000: Eastern Cape (190 loans for a total of R19,639,000); KwaZulu-Natal (200 loans for a total of R20,293,000); Limpopo (200 loans for a total of R20,293,000). The finance will be accessed from traditional financial institutions, such as the Land Bank, and non-traditional sources, such as the Department of Land Affairs' Land Redistribution for Agricultural Development (LRAD) facility. Production loans, joint ventures, and forward contracts, as well as other non-traditional forms of finance, will be expanded in FY'03. The Project is developing strategic approaches for non-asset backed financing to overcome constraints posed by the lack of emerging agribusiness collateral. Finance for land through the LRAD facility will continue to represent a significant amount of finance for agribusinesses supported by the AGRILINK II Project.

Reduced Policy and Regulatory Constraints to Small and Medium Agribusiness Development

The AGRILINK II Project will also have an impact in reducing policy and regulatory constraints to small and medium agribusinesses. The target for this objective is to assist agribusiness clusters - groups of agribusinesses with common interests - to affect policy reform. The FY'03 target is eight (8) business clusters assisted with appropriate policy reforms. Agribusiness Linkages Officers will address constraints encountered during their work and document solutions. In FY'02, an expert consultant will identify constraints through interviews and policy reviews, making recommendations on legislation and the redrafting of regulations.

HIV/AIDS AWARENESS AND EDUCATION

In FY'03, Agribusiness Linkages Officers in all provinces will increase distribution of HIV/AIDS awareness and education materials, as well as condoms. The activities of the three (3) Linkage Catalyst Grantees conducting HIV/AIDS awareness activities will be reviewed to ensure that all results are captured and reported.

GENDER IMPACT

In FY'03, the AGRILINK II Project will continue to ensure that gender is an integrated component of the Project. The FY'03 target for the one (1) Project gender-specific indicator (Percentage of Business Transactions that Involve Women in Agribusiness) is 20%. In FY'03, the AGRILINK II Project will monitor all indicators and Linkage Catalyst grantee implementation plans to ensure that women continue to form a significant number of the Project's clients.

ENVIRONMENTAL IMPACT

In FY'03, the AGRILINK II Project will continue to track the environmental implications of

business transactions, and ensure compliance with USAID environmental procedures. In particular, the application of fertilizer, insecticide and pesticide will be monitored, as will the management of chemicals and other environmental hazards.

PROJECT ADMINISTRATION

Monitoring and Evaluation

In FY'03, performance reporting towards the strategic framework results will continue, as established in the Performance Monitoring Plan (PMP). The PMP software database has been completed; therefore, the electronic and paper PMP files will be cross-referenced. At the end of FY'03, there will be an internal review of the strategy, performance indicators, targets and performance in relation to targets. Quality of data will also be reviewed.

Linkage Catalyst Grantees

In FY'03, all Linkage Catalyst grantee financial and performance reporting will be tracked by the AGRILINK II Project, and staff will meet with each grantee to ensure compliance with financial reporting standards and to review reporting requirements.

USAID Reporting and Liaison

Regular reporting will continue, according to the reporting matrix established in FY'02 for Monthly and Quarterly Progress Reports, as well as Financial Reports.

Personnel

The AGRILINK II Project begins FY'03 with a full complement of staff in the three (3) Provincial Offices, and at the Head Office. During the year the Project will hire two (2) additional staff members: an Agribusiness Linkages Officer (Livestock) in Limpopo Province, and an Agricultural Commodity Broker in Head Office. Two (2) seconded staff members are expected to join the AGRILINK II Project in FY'03: one (1) from the KwaZulu-Natal Agricultural Union (KWANALU); and, one (1) from Trade and Investment South Africa (TISA), a sub-agency of the Department of Trade & Industry (DTI).

Finance Each month during FY'03, the Chief-of-Party will review an AGRILINK II Project Monthly Financial Management Report produced and finalized by the EM&I Home Office Financial Manager within seven (7) working days after the previous month-end. A copy of the AGRILINK II Project Monthly Financial Management Report and monthly invoice submitted to the USAID Controller's Office will be presented monthly to the USAID/South Africa Cognizant Technical Officer.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

1.0	INTRODUCTION	1
2.0	PROJECT IMPLEMENTATION	2
2.1	Increased Market Driven Employment Opportunities Created	2
2.2	eased Commercial Viability of Existing Small and Medium Agribusinesses	Incr 2
2.3	Markets for Small and Medium Agribusiness Growth Identified	3
2.3.1	Markets Identified	3
2.3.1.1	Eastern Cape Province FY'03 Strategic Approaches	3
2.3.1.2	KwaZulu-Natal Province FY'03 Strategic Approaches	4
2.3.1.3	Limpopo Province FY'03 Strategic Approaches	4
2.3.2	Profitable Product Lines	5
2.3.3	Markets Established with Large Entities	5
2.4	Enhanced Small and Medium Agribusiness Capacity to Respond to Markets	6
2.4.1	Entrepreneurs Receiving Business Skills Training	6
2.4.2	Number of Value-added Technology Transfers	6
2.4.3	Privatized Public Enterprises	7
2.5	Increased Small and Medium Agribusiness Access to Finance	7
2.6	Reduced Policy and Regulatory Constraints to Small and Medium Agribusiness Development	8
2.7	Linkage Catalyst Contribution to Strategic Results	8
3.0	HIV/AIDS AWARENESS AND EDUCATION	9
4.0	GENDER IMPACT	9
5.0	ENVIRONMENTAL IMPACT	9
6.0	PROJECT ADMINISTRATION	9
6.1	Monitoring and Evaluation	9
6.2	Linkage Catalyst Grantees	10
6.3	USAID Reporting and Liaison	10
6.4	Personnel	10
6.5	Finance	11

Appendix A: FY'03 Strategic Results Performance Targets

Appendix B: AGRILINK II Project Organigram

ACRONYMS AND ABBREVIATIONS

AGRILINK II	Increasing Employment Opportunities in Agriculture Project (2001-2006)
ARC	Agricultural Research Council
COP	Chief-of-Party
CTO	Cognizant Technical Officer
EM&I	Enterprise Management and Innovation (Pty) Ltd.
FY	Financial Year
KWANALU	KwaZulu/Natal Agricultural Union
KZN	KwaZulu/Natal Province
LRAD	Land Redistribution for Agricultural Development Program
NDA	National Department of Agriculture
NERPO	National Emergent Red Meat Producers Organization
NGO	Non-Governmental Organization
PMP	Performance Monitoring Plan
R	Rand
RCO	Regional Contracting Officer
S.A.	South Africa
SO5	Strategic Objective 5
USAID	United States Agency for International Development
US\$	United States Dollars
VAT	Value Added Tax
1 st QTR	First Quarter
2 nd QTR	Second Quarter
3 rd QTR	Third Quarter
4 th QTR	Fourth Quarter

1.0 INTRODUCTION

The FY'03 Strategic Work Plan describes the implementation of the USAID/South Africa-funded South Africa: Increasing Employment Opportunities in Agriculture (AGRILINK II) Project, Contract No. 674-C-00-01-00032-01, for the period 1st October 2002 to 30th September 2003.

The AGRILINK II Project FY'03 Strategic Work Plan is structured, as follows:

- Chapter 1: Introduction
- Chapter 2: Project Implementation. This Chapter describes the targets set for each of the Results Framework levels and details the strategies and approaches to achieve those results.
- Chapter 3: HIV/AIDS and Awareness. This Chapter describes the strategies and approaches for the 2nd year of implementation of HIV/AIDS activities.
- Chapter 4: Gender Impact. This Chapter identifies gender targets and describes strategies to achieve those targets.
- Chapter 5: Environmental Impact. This Chapter presents the FY'03 strategy for activities to monitor the environmental impact of the agribusinesses with which the AGRILINK II Project works.
- Chapter 6: Project Administration. The final Chapter outlines strategies and actions in the areas of performance monitoring, grants management, personnel, USAID liaison and finance.

2.0 PROJECT IMPLEMENTATION

Several important developments inside and outside South Africa will impact on AGRILINK II Project performance during the 2nd year of implementation.

In the 1st year, the AGRILINK II Project was able to take advantage of relatively productive agricultural conditions in South Africa. Despite a regional grain production shortfall in Southern Africa of over 3 million metric tons for 2001/02, partly due to drought conditions, South Africa had an estimated production surplus of 800,000 metric tons of grain (SADC Food Security Network Ministerial Brief, 2 July 2002). However, there are concerns that an El Niño phenomenon is developing. El Niño is the common name given to a well-documented, multi-year, cyclical, meteorological condition that results in increased rainfall in the northern hemisphere, highly active storms in the Far East, and drought throughout Southern Africa. Over the next year, the AGRILINK II Project will monitor projections of climate conditions for South Africa. Actions will be taken, as appropriate, to accelerate transactions, promote appropriate integrated cropping, and focus on irrigated areas, to ensure that business transaction targets are met, and that South African agribusinesses have appropriate strategies to survive poor production conditions, should they develop.

Another current development in South African agriculture that could have an impact on the AGRILINK II Project's 2nd year is the status of the Communal Land Rights Bill, 2002. This bill was gazetted on 14th August 2002, and will be considered by Parliament after fifty-four (54) days. The outcome of the bill may open more opportunities for the AGRILINK II Project in land transfers, and, over the next several years, may improve the AGRILINK II Project's ability to work with agribusiness in communal areas, as land titles are clarified. On the other hand, there may be some disturbance to present work areas if production is disturbed by changes in land titles. The AGRILINK II Project Agribusiness Linkages Officers responsible for land transfer are monitoring the progression of the Bill.

2.1 Increased Market-Driven Employment Opportunities Created

In FY'03, the AGRILINK II Project will create nine thousand two hundred (9,200) market-driven employment opportunities, producing a cumulative target for the first two (2) years of the Project of seventeen thousand five hundred (17,500). The creation of employment opportunities is achieved through increased value-added market linkages, the development of emergent agribusiness business and entrepreneurial skills, the enhancement of appropriate technology transfers, and increased access to finance.

The provincial distribution of these employment opportunities will be relatively even across the three (3) provinces: KwaZulu-Natal (3,100) and Limpopo (3,100), and Eastern Cape (3,000).

Province	Number of Employment Opportunities Created
Eastern Cape	3,000
KwaZulu-Natal	3,100
Limpopo	3,100
Total	9,200

The targets for all FY'03 indicators are included in the Performance Monitoring Table in Appendix A.

2.2 Increased Commercial Viability of Existing Small and Medium Agribusinesses

In order to increase employment opportunities, the AGRILINK II Project will increase the commercial viability of existing small and medium agribusinesses. This increased viability is measured through the increased number and value of business transactions, as well as those that involve women.

In FY'03, eighteen thousand two hundred eighty (18,280) business transactions will be completed, or a cumulative target of thirty-four thousand seven hundred seventy (34,770) for FY'02 and FY'03. These business transactions will total R780,000,000, or cumulatively R1,412,200,000 over the first two (2) years of the Project. The number of business transactions is composed of the number of markets identified, the number of privatized public enterprises and the number of entities that access finance.

The provincial targets for the number and value of business transactions are, as follows:

Province	Number of Business Transactions	Value of Business Transactions (Rand)
-----------------	--	--

Eastern Cape	5,960	R254,400,000
KwaZulu-Natal	6,160	R262,800,000
Limpopo	6,160	R262,800,000
Total	18,280	R780,000,000

The involvement of women in business transactions target is 20%. It should be noted that the involvement of women is measured by business transactions in which women are both part owners and have an active involvement in the agribusiness. There is no provincial differentiation for AGRILINK II Project gender-related indicators.

2.3 Markets for Small and Medium Agribusiness Growth Identified

The three (3) performance indicators that contribute to markets for small and medium agribusiness growth identified are: a) the number of markets identified; b) the number of profitable product lines developed or enhanced; and, c) the number of markets established with large entities.

2.3.1 Markets Identified

The AGRILINK II Project will continue to rely on existing linkage strategies to identify markets for emerging farmers: 1) bottom-up linkages that find markets for emerging farmers' existing production; and, 2) top-down linkages to identify markets that need to place forward contracts. Increasingly, the AGRILINK II Project is moving toward the latter type of market linkage, negotiating forward contracts that provide the advantages of increased returns, greater stability, and lower price risk for farmers.

In FY'03 the AGRILINK II Project will identify seventeen thousand seven hundred ten (17,710) profitable and sustainable traditional, niche and high-value markets for emergent agribusinesses, reaching a cumulative two-year total of thirty-three thousand seven hundred (33,700). These markets are divided across the provinces, as follows: Eastern Cape (5,770), KwaZulu-Natal (5,970), and Limpopo (5,970). Specific strategies for each province are outlined below.

Province	Number of Markets Identified
Eastern Cape	5,770
KwaZulu-Natal	5,970
Limpopo	5,970
Total	17,710

2.3.1.1 Eastern Cape Province FY'03 Strategy (5,770 markets)

Livestock and livestock products continue to be the most important income-earner for most farmers in Eastern Cape. Up to 40% of provincial market transactions will come from the increase in the sale of livestock on the part of emerging farmers, including an increase in the number of livestock sales in the former Transkei. Strategies to increase the sale of small stock (goats, sheep and pigs), as well as assisting emerging farmers to acquire improved breeding animals, will be implemented in FY'03. Livestock products are also an important growth area in Eastern Cape. AGRILINK II Project staff will identify more woolgrowers and hides and skins processors in order to benefit from increased demand for these products. Building on the support provided to dairy farmers by Land O'Lakes, the AGRILINK II Project will identify markets for milk and other dairy products.

The AGRILINK II Project will continue to identify markets for a wide range of agricultural

products grown in Eastern Cape. In FY'02, markets were identified for green and dry maize, beans, sorghum, vegetables, eggs, pineapples, and oranges, as well as poultry. In FY'03, markets for these agricultural products will be increased, and additional markets for vegetables and fruits will be identified. Sales through fresh produce markets will increase in Umtata and East London. Expanded markets for aloe ferox will also be identified in FY'03. In addition to agricultural products, the Project will expand last year's successful effort to identify markets for agricultural inputs. Markets for fencing poles will expand, and contracts for maize seed will be identified.

The role of the AGRILINK II Project in land transfers has grown over the first year of implementation, and linking emerging farmers desiring to purchase land to willing sellers will form an important part of markets identified. Based on the Project's FY'02 performance, in FY'03, 15% of the markets identified indicator will be directly related to finding suitable farmland for emerging farmers.

2.3.1.2 KwaZulu-Natal Province FY'03 Strategy (5, 970 markets)

In FY'02 in KwaZulu-Natal, four thousand three hundred ninety two (4,392) markets were identified for agricultural products and inputs, including maize, beans, lucerne, potatoes, vegetables, fertilizers and transport. Agricultural product markets will be expanded in FY'03 to include more fruits and vegetables, such as paprika, potatoes, and mango, by forming producer groups and developing forward contracts. These groups will also be serviced with bulk supplies of agricultural inputs. In FY'02, AGRILINK II Project staff facilitated the purchase of fertilizers by individual farmers. In FY'03, the AGRILINK II Project will organize bulk fertilizer purchases at a lower cost for these farmer groups. Transport contracts, particularly for emerging farmers in the sugar cane and timber industries, will contribute significantly to the number of markets identified in KwaZulu-Natal. Agricultural products and inputs will comprise up to 55% of the number of markets identified in the province.

The number of livestock markets will be increased in FY'03. A full-time Livestock Officer was hired in May 2002, and discussions with auctioneers have laid the groundwork to expand auctions, especially in the northern part of the province. The sale of small stock (goats and sheep) will also be explored, as well as markets for breeding stock to increase the number of producers and the quality of their animals. Markets for livestock products, such as hides and skins, as well as inputs, such as animal feed and health products, will also grow. In FY'03, livestock markets will contribute up to 30% of total markets identified in KwaZulu-Natal.

The sale of land to emerging farmers will provide a significant proportion (15%) of total markets identified in the province. Potential buyers will be assisted to identify farms and then to apply for funding through the KwaZulu-Natal Department of Land Affairs' Land Redistribution for Agricultural Development (LRAD) facility.

2.3.1.3 Limpopo Province FY'03 Strategy (5,970 markets)

In FY'03, AGRILINK II Project staff will expand the quantity and quality of agricultural product markets for emerging farmers in Limpopo Province. Joint ventures established in FY'02 in maize and sugar beans will be built-upon and new ventures will be developed to increase markets and the number and volume of agricultural products under forward contract for emerging farmers. The Project will focus on improving the quality of produce,

particularly fruits and vegetables, including paprika, chilies, avocados, oranges and mangos, to expand access to national and export markets. Markets for achar will be increased, as well as for green mielies. With assistance from the Agricultural Research Council (ARC), herb and spice markets will be identified. Grain, fruits and vegetables will form 50% of the markets identified for the province.

In Limpopo in FY'02 livestock sales grew at a high rate. The sale of livestock will continue to provide at least 40% of the new markets identified in FY'03. The number of markets for small stock was small in FY'02, and a strategy to increase production and identify markets for goats and sheep will be implemented in FY'03. Livestock auctions will be held in more remote areas, and the markets for cattle from above the red line will be increased through special arrangements (closed vehicles and quarantine) developed by AGRILINK II Project staff. In addition, sales to abattoirs and feedlots will increase as a proportion of total livestock sales.

The role of the AGRILINK II Project in the identification of land markets will continue to increase in FY'03, although the number of markets will constitute a relatively small proportion of total markets (10%).

2.3.2 Profitable Product Lines Developed or Enhanced

One objective of the AGRILINK II Project is to expand the product lines and increase the value-added to the agricultural products of emerging farmers. This objective will contribute to the growth of markets for small and medium agribusiness. The FY'03 target for the development of profitable product lines is one thousand ten (1,010), implying a cumulative two-year target of one thousand nine hundred thirty (1,930). The provincial breakdown for this indicator is: Eastern Cape (330); KwaZulu-Natal (340); and, Limpopo (340).

Province	Number of Profitable Product Lines
Eastern Cape	330
KwaZulu-Natal	340
Limpopo	340
Total	1,010

Linkage Officers have been introducing new product lines to emerging farmers. One of the Project's successes has been the introduction of a new technology, a grading system, to emergent woolgrowers that enables them to receive a higher price for the new product, graded wool. However, reporting on profitable product lines lagged behind performance during FY'02, due to a delay in the development of the reporting forms, and subsequent training. Progress will be accelerated to reach the targets for this indicator in 1st and 2nd Quarters, FY'03.

2.3.3 Markets Established with Large Entities

The third indicator measuring the growth in markets for emerging farmers is the number of markets established with large entities. The target for this indicator is thirteen thousand one hundred (13,100) for FY'03. The provincial breakdown is: Eastern Cape (4,300); KwaZulu-Natal (4,400); and, Limpopo (4,400). Experience in FY'02 indicates that the targets established for this performance indicator were overly optimistic. One of the constraints to achieving this target is the limited number of enterprises in provinces, such as Eastern Cape, that meet the classification of a "large entity", i.e. an annual turnover greater than R1,000,000 and a labor force greater than 100. However, there are more large entities in both Limpopo and KwaZulu-Natal; therefore, in

FY'03, the AGRILINK II Project will focus on identifying opportunities in each province. This target will be reviewed at the end of FY'03 as part of the overall strategy review.

Province	Number of Markets Established with Large Entities
Eastern Cape	4,300
KwaZulu-Natal	4,400
Limpopo	4,400
Total	13,100

2.4 Enhanced Small and Medium Agribusiness Capacity to Respond to Markets

There are five (5) indicators to capture critical elements of the enhanced capacity of small and medium agribusiness to respond to markets. Business skills training, both the number of entrepreneurs trained and the number of training hours, is an integral element of the strategic results framework for the AGRILINK II Project. The transfer of technology is also a key element of improving agribusiness capacity to adapt to changing market demand. The AGRILINK II Project will also assist in the privatization of public enterprises (measuring both numbers and values) where the privatization will assist to improving the capacity of small and medium agribusinesses to increase production and respond to markets. The strategies and targets for these results are outlined below:

2.4.1 Entrepreneurs Receiving Business Skills Training

The AGRILINK II Project has four (4) strategies to ensure that small and medium agribusiness owners receive appropriate business skills: i) Linkages Officers conduct business skills training on a regular basis as part of their job descriptions; ii) Linkage Catalyst Grantees and other institutions provide business skills training to these entrepreneurs; iii) a database of private business skills training and service providers is drawn upon for farmer referral; and, (iv) emergent agribusinesses are linked to more experienced and larger agribusinesses through mentorship, partnership and joint venture agreements.

In FY'02, the AGRILINK II Project relied on the first strategy, Linkages Officers, to train agribusiness owners. The FY'03 target is to provide one hundred sixty-six thousand two hundred (166,200) hours of business skills training to twenty thousand eight hundred (20,800) agribusiness entrepreneurs. The provincial breakdown will be: Eastern Cape (54,200 hours of training provided to 6,800 agribusiness entrepreneurs); KwaZulu-Natal (56,000 hours of training provided to 7,000 agribusiness entrepreneurs); and, Limpopo (56,000 hours of training provided to 7,000 agribusiness entrepreneurs).

Province	Number of Entrepreneurs Trained	Hours of Business Skills Training
Eastern Cape	6,800	54,200
KwaZulu-Natal	7,000	56,000
Limpopo	7,000	56,000
Total	20,800	166,200

The FY'03 target (20,800 entrepreneurs trained) implies that each Linkage Officer will train between thirty (30) and thirty-five (35) farmers each week. This target can be achieved with considerable effort on the part of the Officers. The target for the number of training hours, however, has been set at a level that implies that these entrepreneurs will be trained for up to eight (8) hours per session (166,200 hours in total). The target, as currently established, can not be achieved by relying on the Linkages Officers alone. The AGRILINK II Project long-term strategy relies on a balanced approach between AGRILINK II Project staff and other institutions. However, these targets will be reviewed at the end of FY'03 and adjusted, as necessary.

Several of the Linkage Catalyst grantees have developed training programs, including the Agricultural Research Council (ARC), National Red Meat Producers Organization (NERPO), Siyazisiza Trust, and Land O'Lakes (in process). During FY'03, the Project will work with grantees to ensure accurate reporting, with a direct contribution to the AGRILINK II Project strategic results indicators. In addition, AGRILINK II Project staff will identify additional training institutions to which farmers can be referred for specific training needs.

2.4.2 Number of Value-Added Technology Transfers

A "value-added technology transfer" is defined as the introduction of a new technology to the owner of a small or medium agribusiness that increases the market value of a product or the productivity of the agribusiness. In FY'02, the introduction of the wool grading system in Eastern Cape to additional woolgrowers improved their productivity. Grading, washing, and other processing technologies for many agricultural products are being introduced by Linkage Officers to emerging farmers.

In FY'03, a total of six hundred seventy (670) technologies will be introduced to emerging farmers: two hundred ten (210) in Eastern Cape, and two hundred thirty (230) each in KwaZulu-Natal and Limpopo. The key areas of technology development will be in livestock, crops, fruits and vegetables.

Province	Number of Value-Added Technologies
Eastern Cape	210
KwaZulu-Natal	230
Limpopo	230
Total	670

2.4.3 Privatized Public Enterprises

The AGRILINK II Project supports the transition of government-owned agribusinesses to private ownership. The target for FY'03 is three (3) privatized public enterprises (one in each province). Performance in FY'02 exceeded the target by 100%. AGRILINK II Project support to the land transfer process has led to the Project's involvement in the privatization of public land holdings, particularly in Eastern Cape, contributing to the achievement of the FY'02 target.

In FY'03, the Project will expand its land transfer facilitation in KwaZulu-Natal and Limpopo, achieving the annual provincial targets of one (1) privatization each. In Eastern Cape, the AGRILINK II Project expects two (2) large state-owned enterprises to be privatized in FY'03. The Provincial Manager will be involved in the farm profitability analysis of a large sugar estate, as well as a group of citrus farmers, who will gain title to orchards, following the restructuring of their debt. In Limpopo Province, the AGRILINK II Project is developing relationships with the Provincial Department of Land Affairs (DLA) and the Provincial Department

of Agriculture that will also lead to involvement in the privatization of public enterprises.

Province	Number of Privatized Public Enterprises	Value of Privatized Public Enterprises (Rand)
Eastern Cape	1	R545,000
KwaZulu-Natal	1	R564,000
Limpopo	1	R564,000
Total	3	R1,673,000

2.5 Increased Small and Medium Agribusiness Access to Finance

The AGRILINK II Project assists small and medium agribusinesses to access finance for production inputs, including land. In FY'03 the AGRILINK II Project will assist five hundred ninety (590) agribusinesses to access loans of R60,225,000. The finance will be accessed from traditional financial institutions, such as the Land Bank, and non-traditional sources, such as through the Department of Land Affairs' Land Redistribution for Agricultural Development (LRAD) facility.

In FY'02 the targets for access to finance were met; however, the number of entities that accessed finance was lower than expected. On average, the size of the financial transaction was higher than projected. In FY'03, the AGRILINK II Project will increase the number of agribusinesses that access finance. The target for the number of agribusinesses accessing finance will be reviewed at the end of FY'03 to determine if the relationship between numbers and the average size of loans should be revised.

Production loans will be a central part of the strategy to increase the numbers of agribusinesses accessing finance. Due to the difficulty of accessing production credit, given limited collateral and emerging farmers' poor or non-existent credit history, the AGRILINK II Project has developed strategic approaches for non-asset backed financing. Finance from this source of funding will increase as these proposals are funded in FY'03. Joint ventures and forward contracts will also be expanded in FY'03. Other forms of non-traditional finance are cost reductions and subsidies. Linkages Officers assist farmers to purchase inputs in bulk, obtain discounts for inputs, and delay payments – all of these increase access to finance for agribusinesses, and will be utilized by AGRILINK II Project Linkage Officers in FY'03.

In Eastern Cape, one hundred ninety (190) agribusinesses will be assisted to access loans totaling R19,639,000 for production inputs, which will be generated through forward contracts, governmental programs and traditional banking institutions. Finance for land through the LRAD facility will continue to represent a significant amount of finance for agribusinesses supported by the AGRILINK II Project in Eastern Cape.

In KwaZulu-Natal, two hundred (200) agribusiness enterprises will be assisted to access loans totaling R20,293,000, to buy fertilizers, transport, and other production inputs.

In Limpopo, future contracts for commodities, such as maize and beans, will raise the number of agribusinesses accessing credit. In addition, as relationships develop with the Department of Land Affairs (DLA), the Land Claims Commission and the Provincial Department of Agriculture, the number of farmers accessing finance for

the purchase of land will also increase. Two hundred (200) agribusinesses will be assisted in FY'03 in Limpopo to access loans totaling R20,293,000.

Province	Number of Agribusinesses Accessing Finance	Value of Finance Accessed by Agribusinesses (Rand)
Eastern Cape	190	R19,639,000
KwaZulu-Natal	200	R20,293,000
Limpopo	200	R20,293,000
Total	590	R60,225,000

2.6 Reduced Policy and Regulatory Constraints to Small and Medium Agribusiness Development

The AGRILINK II Project will also reduce policy and regulatory constraints to small and medium agribusinesses. The target for this objective is to assist agribusiness clusters - groups of agribusinesses with common interests - to affect policy reform. The objective for FY'03 for the AGRILINK II Project is to assist eight (8) business clusters with appropriate policy reforms.

In FY'03, two (2) strategies will be employed to reduce policy and regulatory constraints to small and medium agribusiness development. Linkage Officers' work in FY'02 demonstrated that regulatory and policy constraints can be addressed at the local level. For example, in Limpopo, the AGRILINK II Project Livestock Officer assisted to develop a strategy for livestock owners above the "red line", the geographical perimeter below which cattle can not be taken to prevent the transmission of hoof and mouth disease, to safely and securely sell cattle to abattoirs below the line. The cattle are transported in closed vehicles and under quarantine until processed. AGRILINK II Project Linkage Officers will continue to identify constraints and encourage implementation of regulations at the local level to reduce the negative impacts on small and medium agribusinesses.

The second approach to reducing policy and regulatory constraints to small and medium agribusinesses will be identification of constraints through interviews and policy reviews. An external consultant will meet with agricultural stakeholders, including AGRILINK II Project staff, to identify major local, provincial and national policy and regulatory constraints. Recommendations on legislation and redrafting of regulations will be part of an Implementation Plan, to be used as the basis for a follow-up consultancy to develop appropriate legislation.

2.7 Linkage Catalyst Grantee Contribution to Strategic Results

All Linkage Catalyst grantees began implementation in FY'02, and several are already reporting significant results toward the AGRILINK II Project results framework indicators. For example, in August 2002, the Agricultural Research Council (ARC) provided two thousand seven hundred ninety-five (2,795) hours of training to two hundred ninety-nine (299) agribusiness entrepreneurs. Training took place in all three (3) provinces. In FY'03, the ARC will also identify profitable product lines for farmers, as well as introduce new production technologies. Seconded KWANALU staff have also contributed significantly to AGRILINK II Project performance. In July 2002, a forward contract for lucerne that contributed R110,592,000 to agribusiness transactions in KwaZulu-Natal was brokered by

KWANALU-seconded staff. Other grantees will contribute to overall Project performance in FY'03.

Performance reporting consultations were conducted with four (4) of the nine (9) grantees in FY'02. Consultations will be held with the remaining grantees in FY'03. These consultations will ensure that all grantees understand the AGRILINK II Project strategic results framework, have an updated version of the Performance Monitoring Plan (PMP), and report achievements towards the AGRILINK II Project indicators.

3.0 HIV/AIDS AWARENESS AND EDUCATION

The AGRILINK II Project has two (2) approaches to improving awareness of HIV/AIDS and increasing prevention methods in rural areas. First, in FY'03, Linkages Officers in all provinces will distribute HIV/AIDS awareness and education materials, as well as condoms. The Provincial Managers and Administrative Assistants will ensure that there is an adequate supply of materials and condoms for the Officers to distribute. The AGRILINK II Project will record the distribution of materials and condoms in all reports, and will document all HIV/AIDS awareness and prevention-related activities. In FY'03, training of Linkages Officers in effective HIV/AIDS awareness messages will be conducted by appropriate institutions, such as the HIV/AIDS Linkage Catalyst grantees, and other experts.

The second approach to increasing HIV/AIDS awareness and prevention in rural areas is through three (3) Linkage Catalyst grantees, one (1) in each province. In FY'02 all three (3) grantees began implementation of AGRILINK II Project activities. In FY'03, all grantee performance reports will be reviewed to ensure that all results are captured. The activities of these grantees will be highlighted in AGRILINK II Project reporting.

These two strategies will be strengthened in FY'03 through several approaches. First, the Linkage Catalyst Grantees will be drawn upon to assist the Agribusiness Linkages Officers to communicate HIV/AIDS information accurately and with appropriate cultural sensitivity. In some cases the Agribusiness Linkages Offices can assist the grantees to extend their activities by referring needy people to them. HIV/AIDS training experts will be hired to complement the training of Agribusiness Linkages Officers by Linkage Catalyst grantees, where necessary.

4.0 GENDER IMPACT

In FY'03, the AGRILINK II Project will continue to ensure that gender is an integrated component of the Project. There is only one (1) Project gender-specific indicator with an established target: Percentage of Business Transactions that Involve Women in Agribusiness. The FY'03 target for this indicator is 20%. However, all relevant Project performance monitoring indicators are disaggregated by gender. In FY'03, the AGRILINK II Project will monitor the role of women for all of the indicators to ensure that women continue to form a significant number of the Project's clients. In addition, all Linkage Catalyst grantee implementation plans will be reviewed to ensure that gender concerns continue to be accorded top priority.

5.0 ENVIRONMENTAL IMPACT

In FY'03, the AGRILINK II Project will continue to track the environmental implications of

business transactions, and ensure compliance with USAID environmental procedures. In particular, the application of fertilizer, insecticide and pesticide will be monitored, as will the management of chemicals and other environmental hazards. With the resignation in July 2002 of the Agricultural Administrator and Environmental Evaluation and Training Specialist, this work will be performed in FY'03 by Program staff, the ARC, and consultants, as required.

6.0 PROJECT ADMINISTRATION

6.1 Monitoring and Evaluation

In FY'03, performance reporting towards the strategic framework results will continue, as established in the Performance Monitoring Plan (PMP). The PMP will continue to be updated as necessary, including revisions to reporting forms and supporting documentation. All revisions to the PMP are recorded and notifications are issued to all staff and grantees. The Microsoft ACCESS-based PMP database has been completed, and in FY'03, all PMP data will be migrated to this database. One of the performance monitoring activities of 1st Quarter, FY'03 will be to coordinate the electronic and paper PMP files of the Project to ensure that all documentation can be easily and quickly located. Quarterly spot-checks will be conducted by the AGRILINK II Project Performance Monitoring and Evaluation Specialist to ensure the accuracy and security of the system.

An evaluation of SO5 portfolio performance has been planned for FY'03. The AGRILINK II Project will take an active involvement in this evaluation, and incorporate any recommendations into the strategy or PMP, as appropriate.

At the end of FY'03, there will be an internal review of the strategy, performance indicators, targets and performance in relation to targets. Quality of data will also be reviewed. This 2nd Year Work Plan (for FY'03) has presented various adjustments in the AGRILINK II Project strategy that have been made in order to achieve the targets established in the PMP. It is expected that after two (2) years of performance it may be necessary to adjust targets to reflect reality. Two (2) target levels have been highlighted in this document as potentially requiring review in FY'03. These include: Number of Markets Identified with Large Entities, and Hours of Entrepreneurial Business Skills Training.

6.2 Linkage Catalyst Grantees

In FY'03, all Linkage Catalyst grantee financial and performance reporting will be tracked by the AGRILINK II Project. AGRILINK II Project financial staff will meet with each grantee twice during FY'03 to ensure compliance with financial reporting standards. Project program and monitoring and evaluation staff will meet at least once with each grantee in FY'03 to review reporting requirements, and to document notable achievements in greater detail.

6.3 USAID Reporting and Liaison

Regular reporting will continue, according to the reporting matrix established in FY'02. Monthly and quarterly performance, and financial reports are forwarded to the USAID Cognizant Technical Officer, according to contract delivery dates. The Annual Performance Report, FY'03 and the FY'04 Annual Work Plan, will also be submitted according to timetable.

All coordination with USAID/South Africa, as well as meetings with other stakeholders in the agricultural sector, is reported in the Monthly Reports for review by the USAID Cognizant Technical Officer.

6.4 Personnel

The AGRILINK II Project begins FY'03 with a full complement of staff in the three (3) Provincial Offices, and at the Head Office. See the AGRILINK II Project Organigram in Appendix B. During the year the Project will hire two (2) additional staff members. An additional Agribusiness Linkages Officer responsible for livestock sales will be employed in Limpopo Province and an Agricultural Broker, responsible for forward contracting, SAFEX trading and hedging of contracts will be employed in Head Office to coordinate the growing transactions emerging from the provincial offices.

Two (2) seconded staff members are expected to join the AGRILINK II Project in FY'03. The KwaZulu-Natal Agricultural Union (KWANALU), an AGRILINK II Project Linkage Catalyst grantee, will second a second staff member to the KwaZulu-Natal provincial office. A Memorandum of Understanding with Trade and Investment South Africa (TISA), a sub-agency of the Department of Trade & Industry (DTI), is being negotiated to provide on-the-job training for TISA staff to identify and complete agribusiness transactions between small and medium-scale emerging farmers and larger agribusinesses. This provides the Project with access to DTI subsidies on behalf of its small and medium emergent agribusiness clients.

One (1) consultant will be employed during FY'03 to conduct work on policy and regulatory constraints as described in Section 2.6 above. In addition, HIV/AIDS training experts will be hired, where necessary, to complement Linkage Catalyst grantee training of Agribusiness Linkages Officers to communicate HIV/AIDS information accurately and with appropriate cultural sensitivity.

6.5 Finance

Each month during FY'03, the Chief-of-Party will review an AGRILINK II Project Monthly Financial Management Report produced and finalized by the EM&I Home Office Financial Manager within seven (7) working days after the previous month-end. A copy of the AGRILINK II Project Monthly Financial Management Report and monthly invoice submitted to the USAID Controller's Office will be presented monthly to the USAID/South Africa Cognizant Technical Officer.

APPENDIX A: AGRILINK II Project TARGETS (FY' 2003) Non-Cumulative

PERFORMANCE INDICATORS	Targets			
	Eastern Cape	KwaZulu-Natal	Limpopo	TOTAL
SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED				
Number of Market-Driven Employment Opportunities Created	3,000	3,100	3,100	9,200
IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES				
A. Number of Business Transactions	4,570	5,960	16,490	27,020
Aw. % Which Involve Women in Agribusiness	25%	25%	25%	25%
B. Value of Business Transactions	R234,100,000	R262,800,000	R262,800,000	R780,000,000
IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS GROWTH IDENTIFIED				
A. Number of Markets Identified	5,770	5,970	5,970	17,710
B. Number of Profitable Product Lines Developed or Enhanced	330	340	340	1,010
C. Number of Markets Established with Large Entities	4,300	4,400	4,400	13,100
IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS				
A. Number of Entrepreneurs Who Receive Business Training	6,800	7,000	7,000	20,800
B. Number of Entrepreneur Hours in Business Training	54,200	56,000	56,000	166,200
C. Number of Value-Added Technology Transfers	210	230	230	670
D. Number of Privatized Public Enterprises	1	1	1	3
E. Value of Privatized Public Enterprises	R 545,000	R 564,000	R 564,000	R 1,673,000
IR. 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES				
A. Number of Entities which Access Finance	190	200	200	590
B. Value of Finance Accessed by Entities	R 19,639,000	R 20,293,000	R 20,293,000	R 60,225,000
IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT				
A. Number of Business Clusters Assisted with Policy Reforms	n.d.	n.d.	n.d.	8
B. Number of Policy Environment Changes	n.d.	n.d.	n.d.	3
C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in Small & Medium Agribusinesses	n.d.	n.d.	n.d.	50

APPENDIX B: AGRILINK II Project Staff Organigram

